IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	**Chapter 11**
	§	
FIELDWOOD ENERGY LLC, ***et al.*****,**	§	**Case No. 20-33948 (MI)**
	§	
	§	**(Jointly Administered)**
Debtors.[1]	§	
	§	

DECLARATION OF ERIN M. CHOI IN SUPPORT OF DEBTORS' OPPOSITION TO HCCI'S EMERGENCY MOTION IN LIMINE

I, Erin M. Choi, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am a senior associate of the firm Weil, Gotshal & Manges LLP ("**Weil**"), which maintains an office for the practice of law at 700 Louisiana Street, Suite 1700, Houston, Texas 77002. I am an attorney at law, duly admitted and in good standing to practice in the State of Texas and is admitted to practice before the U.S. District Courts for the Northern, Southern, and Eastern Districts of Texas. I have made an appearance in the above-captioned chapter 11 cases to represent Fieldwood Energy LLC ("**Fieldwood**") and its debtor affiliates, as debtors and debtors in possession (collectively, the "**Debtors**").

2. I submit this Declaration in support of *Debtors' Opposition to HCC International Insurance Company PLC's Emergency Motion in Limine* ("**Opposition**"), filed concurrently herewith in the above-captioned proceeding.

---

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Fieldwood Energy LLC (6778), Fieldwood Energy Inc. (4991), Fieldwood Onshore LLC (3489), Fieldwood SD Offshore LLC (8786), Fieldwood Energy Offshore LLC (4494), Fieldwood Offshore LLC (2930), GOM Shelf LLC (8107), FW GOM Pipeline, Inc. (8440), Galveston Bay Procession LLC (5703), Galveston Bay Procession LLC (0422), Fieldwood Energy SP LLC (1971), Dynamic Offshore Resources NS, LLC (0158), Bandon Oil and Gas, LP (9266), and Bandon Oil and Gas GP, LLC (9172). The Debtors' primary mailing address is 2000 W. Sam Houston Parkway S., Suite 1200, Houston, TX 77042.

3. Attached as Exhibit 1 is a true and correct copy of the *Notice of Rule 30(b)(6) Deposition of Debtor Fieldwood Energy LLC*, dated April 30, 2021.

4. Attached as Exhibit 2 is a true and correct copy of excerpts from the transcript of the 30(b)(6) Oral Deposition of Debtor Fieldwood Energy, LLC, Mr. Michael T. Dane, dated May 13, 2021.

5. I hereby declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: June 16, 2021
Houston, Texas

/s/ Erin M. Choi
Erin M. Choi

Exhibit 1

Notice of Rule 30(b)(6) Deposition of Debtor Fieldwood Energy LLC

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	**Chapter 11**
	§	
FIELDWOOD ENERGY LLC, *et al.*,	§	**Case No. 20-33948 (MI)**
	§	
Debtors.[1]	§	**(Jointly Administered)**
	§	

NOTICE OF RULE 30(b)(6) DEPOSITION OF DEBTOR FIELDWOOD ENERGY LLC

To: Fieldwood Energy LLC
Through its Counsel of Record:
Alfredo Perez
Weil Gotshal & Manges LLP
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PLEASE TAKE NOTICE that certain surety companies ("Sureties")[2] in the above-captioned case will take the deposition of the corporate representative(s) of Fieldwood Energy LLC (the "Debtors") on a date to be determined by the parties, pursuant to the Federal Rule of Civil Procedure 30(b)(6), and Rules 9014 and 7030 of the Federal Rules of Bankruptcy Procedure.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Dynamic Offshore Resources NS, LLC (0158); Fieldwood Energy LLC (6778); Fieldwood Energy Inc. (4991); Fieldwood Energy Offshore LLC (4494); Fieldwood Onshore LLC (3489); Fieldwood SD Offshore LLC (8786); Fieldwood Offshore LLC (2930); FW GOM Pipeline, Inc. (8440); GOM Shelf LLC (8107); Bandon Oil and Gas GP, LLC (9172); Bandon Oil and Gas, LP (9266); Fieldwood Energy SP LLC (1971); Galveston Bay Pipeline LLC (5703); and Galveston Bay Processing LLC (0422). The Debtors' primary mailing address is 2000 W. Sam Houston Parkway S., Suite 1200, Houston, TX 77042.

[2] The sureties joining in Rule 30(b)(6) Deposition Notice include U.S. Specialty Insurance Company, HCCI, Lexon Insurance Company, Philadelphia Indemnity Insurance Company, North American Specialty Insurance Company, Zurich American Insurance Company, RLI Insurance Company, The Hanover Insurance Company, Liberty Mutual Insurance Company, Travelers Casualty & Surety Company of America, XL Specialty Insurance Company, Berkley Insurance Company, Aspen American Insurance Company, Everest Reinsurance Company and Sirius America Insurance Company.

The Debtors are requested to designate representative(s) to provide testimony regarding the Topics for Examination set forth on Exhibit "B" to this Notice of Deposition (with all terms therein having the meanings set forth in the attached Definitions under Exhibit "A" to this Notice of Deposition) which relate to the *Fourth Amended Joint Chapter 11 Plan of Fieldwood Energy LLC and its Affiliated Debtors* (Doc. No. 1284) (the "Plan"). The deposition testimony will be given before an authorized court reporter or other person authorized by law to administer oaths and will be recorded by stenographic means.

In addition to the corporate representatives chosen by Debtors to testify pursuant to Rule 30(b)(6), the Sureties also request that the Debtors produce Gary Janik, Scott Schmidt, and W. Frank Jeanes to testify on the same date as the 30(b)(6) representative(s).

The deposition will be taken remotely *via* an online platform due to the coronavirus pandemic such that no one will need to be in the same location as anyone else in order to participate in the deposition. Parties who wish to participate in the deposition should contact Jase Brown, jbrown@csglaw.com **no fewer than 48 hours before the start of the deposition** for more information regarding participating in this deposition remotely.[3]

[3] Under separate cover, the Sureties will forward to the Debtors the technical information for the videoconference connection using the Zoom platform (http://www.zoom.us).

Dated: April 30, 2021

Respectfully submitted,

HUSCH BLACKWELL LLP

By: _/s/ Timothy A. Million_

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EXHIBIT "A"

Definitions

This Rule 30(b)(6) Notice shall be governed by the following definitions. Definitions not provided herein shall be defined as set forth in the Plan and associated documents.

1. "Apache" means Apache Corporation.

2. "Bankruptcy Cases" means the above-captioned chapter 11 bankruptcy cases styled *In re Fieldwood Energy LLC, et al.*, jointly administered under Case No. 20-33948, in the United States Bankruptcy Court for the Southern District of Texas.

3. "BOEM" means Bureau of Ocean Energy Management.

4. "BSEE" means Bureau of Safety and Environmental Enforcement.

5. "Communication" means, without limitation, letters; faxes; e-mail messages; conversations; and transmissions of ideas, information, or thoughts whether written, verbal, or otherwise.

6. "Discovery Requests" means the Joint Surety First Set of Interrogatories and Requests for Production served on the Debtors on April 14, 2021, as well as any other discovery requests made by any Sureties individually.

7. "Disclosure Statement" means the *Disclosure Statement for the Fourth Amended Joint Chapter 11 Plan of Fieldwood Energy LLC and its Affiliated Debtors* filed at Docket No. 1285 in the Bankruptcy Cases.

8. "Document" means any and all paper records, files, and/or other tangible media in which information is maintained, preserved, or stored. The term "Document" includes, but is not limited to, all written or graphic material of every kind and description, however produced or reproduced, whether draft or final, original or reproduction, including, but not limited to, Communications, correspondence, letters, facsimiles, e-mails, memoranda, notes, contracts, agreements, releases, statements, reports, spreadsheets, data compilations, writings, photographs, drawings, graphs, charts, films, printouts, transcripts, calendars, appointment books, diaries, licenses, telegrams, books, newspapers, magazines, advertisements, periodicals, bulletins, maps, brochures, circulars, notices, pamphlets, rules, regulations, directives, teletype messages, voice messages, instant messages, meeting minutes, interoffice communications, financial statements, ledgers, books of account, proposals, software, hardware, prospectuses, offers, orders, receipts, working papers, time sheets, logs, movies, audio or video tapes and recordings, CD-ROMs, DVD-ROMS, microfilm, or any other materials similar to any of the foregoing, however denominated. The term "Document" includes any and all non-identical copies of a document, which contain additional writing, underlining, notes, deletions, or any other markings or notations, or which otherwise are not identical copies of the original document. The term

"Document" also includes any and all attachments and enclosures to any and all documents containing information responsive to the Discovery Requests. In addition, any "Document" concerning only part of the subjects of the Discovery Requests is covered in its entirety by this definition.

9. "INCs" means Incidents of Non-Compliance issued by BSEE.

10. "Person" means any natural person, sole proprietorship, limited liability company, corporation, company, association, joint venture, firm, partnership, or other business or legal entity in whatever form.

11. "Plan" shall refer to the *Fourth Amended Joint Chapter 11 Plan of Fieldwood Energy LLC and its Affiliated Debtors* filed at Docket No. 1284 in the Bankruptcy Cases.

12. "Relating to" means and includes concerning, constituting, defining, evidencing, mentioning, containing, describing, discussing, embodying, reflecting, analyzing, stating, referring to, dealing with, or in any way pertaining to the subject matter.

EXHIBIT "B"

Topics for Examination

The Debtors are instructed, pursuant to Federal Rule of Civil Procedure 30(b)(6) and Rules 7030 and 9014 of the Federal Rules of Bankruptcy Procedure, to designate one or more officers, directors, or other persons who consent to testify on the Debtors' behalf about information known or reasonably available to the Debtors relating to the topics set forth below.

1. The financial projections attached as Exhibit O to the Disclosure Statement.

2. The Houlihan Lokey expert report.

3. The AlixPartners expert report.

4. The Debtors' plugging and abandonment cost estimates for the assets to be transferred into FWE I, FWE III, and/or abandoned.

5. The divisive merger contemplated under the Plan.

6. The anticipated timing and selection of FWE I leases for plugging and abandonment and decommissioning activities.

7. The sources of capital available to FWE I.

8. The anticipated capital spend for FWE I and projects associated with the anticipated capital spend.

9. The negotiations, preparation, drafting, execution, and intended operation of the FWE I LLC Agreement.

10. The corporate governance of FWE I.

11. The management of FWE I.

12. The negotiations and selection of the Sole Manager for FWE I.

13. The negotiations and selection of the Independent Director for FWE I.

14. The negotiations, preparation, drafting, execution, and intended operation of the Farmout Agreement.

15. Any anticipated projects to be conducted pursuant to the Farmout Agreement.

16. The negotiations, preparation, drafting, execution, and intended operation of the Transition Services Agreement between FWE I and NewCo.

17. Marketing and gathering costs associated with FWE I.

18. The Debtors' reserve estimates and go-forward production estimates for FWE I.

19. The Debtors' understanding regarding which FWE I leases will be allowed to expire and which FWE I leases will return to production.

20. The Debtors' marketing efforts with respect to FWE I assets, and any offers from third parties to purchase any of the FWE I assets.

21. The negotiations, preparation, drafting, execution, and intended operation of the Standby Facility.

22. The Trust A Decommissioning Security and the intended use of that security.

23. The BOEM bonds related to the Legacy Apache Properties and the intended use of those BOEM bonds.

24. The BOEM bonds related to the Credit Bid Acquired Interests and the intended use of those BOEM bonds.

25. The private bonds related to the Credit Bid Acquired Interests and the intended use of those private bonds.

26. The decommissioning plan for NewCo and whether there will be funds set aside for decommissioning or whether NewCo intends for sureties to contribute to the decommissioning costs.

27. All communications between Debtors and BOEM or BSEE related to the Plan and the transactions contemplated thereunder.

28. All communications between Debtors and Apache related to the Plan and the transactions contemplated thereunder.

29. All communications between Debtors and the secured lenders related to the Plan and the transactions contemplated thereunder.

30. All communications between Debtors and Chevron related to the Plan and the transactions contemplated thereunder.

31. All communications between Debtors and any other predecessor owner related to the Plan and the transactions contemplated thereunder.

32. Current lease, asset, and production status for the Abandoned Properties.

33. Debtors' transition plans for the Abandoned Properties.

34. Debtors' reserve estimates for the Abandoned Properties.

35. The BOEM bonds related to the Abandoned Properties and the intended use of those BOEM bonds.

36. The BOEM areawide bonds and the intended use of those bonds.

37. All outstanding INCs and the anticipated costs associated with correcting the INCs.

38. The Debtors' responses to the Discovery Requests.[4]

[4] The Sureties just received the Debtors' responses to the Discovery Requests on April 30, 2021 and therefore reserve the right to ask questions at the deposition related to those Discovery Requests and the responses and documents received in response thereto.

Exhibit 2

**Transcript of the 30(b)(6) Oral Deposition of
Debtor Fieldwood Energy, LLC, Mr. Michael T. Dane**

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

	§	
In re:	§	Chapter 11
	§	
FIELDWOOD ENERGY LLC, et al.,	§	Case No. 20-33948 (MI)
	§	
Debtors.	§	(Jointly Administered)
	§	

30(b)(6) ORAL DEPOSITION OF

DEBTOR FIELDWOOD ENERGY, LLC

MR. MICHAEL T. DANE

May 13, 2021

30(b)(6) ORAL DEPOSITION OF DEBTOR FIELDWOOD ENERGY, LLC, MR. MICHAEL T. DANE, produced as a witness at the instance of the Sureties and Parties-in-interest, and duly sworn, was taken in the above-styled and numbered cause on the 13th day of May, 2021, from 9:37 a.m. to 6:43 p.m., before Michelle Hartman, Certified Shorthand Reporter in and for the State of Texas and Registered Professional Reporter, reported by computerized stenotype machine via Zoom videoconference, pursuant to the Federal Rules of Civil Procedure and the provisions stated on the record or attached hereto.

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ALSO PRESENT:
Mr. Anthony L. Green, corporate counsel

EXHIBITS

EXHIBIT	DESCRIPTION	PAGE
Exhibit 1	Notice of Rule 30(b)(6) Deposition of Debtor Fieldwood Energy LLC	24
Exhibit 2	Dear John e-mail re: Swordfish catch up FWE-0047937	69
Exhibit 3	9/17/20 letter to Dane from (blacked out), FWE-0047938 to 47948	77
Exhibit 4	7/17/20 letter to Fieldwood Energy, Dear John, re: Offer to Purchase Co-Owned Properties, FWE-0047949 to 47954	78
Exhibit 5	Decommissioning Agreement between Apache Corporation, et al and Fieldwood Energy, et al in 2013, no Bates	54
Exhibit 6	Exhibit 14, 2021 Farmout Agreement, pages 131 to 158 of 469	90
Exhibit 7	Exhibit 8 to the Plan of Reorganization and Disclosure Statement, titled Standby Loan Agreement, pages 978 to 1024 of 1032	95
Exhibit 8	Transmission Services Agreement, Exhibit 15 to the Disclosure Statement and Plan of Reorganization, Document Number 1285-2, pages 289 to 310 of 469	101
Exhibit 9	Exhibit 6, Fieldwood Energy I LLC Agreement, Document Number 1285-1, pages 910 to 964 of 1032	116

EXHIBITS (cont.)

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Exhibit 12	*Attached but not mentioned - SpinCo Preliminary G & A Detail FWE-0000019	10
Exhibit 13	*Attached but not mentioned, Category/NewCo/Comments table, FWE-0000018	10
Exhibit 14	*Attached but not mentioned, Excel spreadsheet, FWE-0037606	10
Exhibit 15	*Attached but not mentioned, Document beginning "West Areas", FWE-0045265 to 266	10
Exhibit 16	*Attached but not mentioned, Excel spreadsheet FWE-0038676 Fields not returning to production	10
Exhibit 17	*Attached but not mentioned, e-mail from Lamme to Lamb 4/29/21 re: BOEM Questions, FWE-0045280	10
Exhibit 18	*Attached but not mentioned, Excel spreadsheet, FWE-0045403	10
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EXHIBITS (cont.)

EXHIBIT	DESCRIPTION	PAGE
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Exhibit 22	*Attached but not mentioned, FWE Amended responses and objections to sureties discovery request	10
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Exhibit 24	Excel Spreadsheet FWE-000008	10
Exhibit 25	Disclosure statement, page 1 of 99	10
Exhibit 26	Alix Partners Liquidation Expert Report of Marc J. Brown, April 21st, 2021	10
Exhibit 27	Everest Indemnity Agreement	245

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THE COURT REPORTER: Okay. Can I get an agreement between Counsel, please, the court reporter can swear in the witness remotely.
MR. GRZYB: Okay with me.
MR. PÉREZ: Yes, ma'am.
MR. MICHAEL T. DANE,
having been first duly sworn, testified as follows:
EXAMINATION
Q. (BY MR. GRZYB) Good morning, Mr. Dane, and thank you for your time today. My name is Darren Grzyb. I'm a lawyer with the firm of Chiesa, Shahinian & Giantomasi. I have four surety clients that are involved in this case: Everest, Aspen, Berkeley, and Sirius.
It was our notice of deposition that was issued from my office signed by me that today's proceeding relates to. As I said, today is a deposition. Have you been deposed before, Mr. Dane?
A. No, I have not.
Q. Then I think it is important to start with some ground rules. The format of today's proceeding is a question-and-answer session. I will be asking you questions, and it is important that I issue verbal questions and you are to give me verbal responses. You can't shake your head, particularly

now that we're doing this by Zoom, but you shouldn't do that in the first place in a deposition. So it is important that you give me verbal responses.
It is also important that you understand the question. If I ask a question, and you don't understand it, but you give an answer, I will assume that you've understood the question. It is also important that you and I and Mr. Perez, to the extent he interposes an objection, don't talk over each other because our friend, Michelle, is transcribing everything that we say and, therefore, it will be hard for her if we talk over each other for her to transcribe what we say.
That's another point, the description of this. Michelle, Madam Court Reporter, is typing out all the words that we say. So at the end of this, what we will have is a transcript of everything we say: My questions, Mr. Perez's objections, and your responses.
It's also important that if you would like to take a break -- it could be a long day, I have no problem with us taking breaks, so if the challenge might be that you're not in the same room with Mr. Perez, I will be very understanding if you want to take a break; and frankly, I will likely need

to take breaks during this process as well.
That's all I have for now in terms of ground rules. If you have any questions as to the ground rules, let me know.
Do you have any questions?
A. No, thank you very much.
MR. PÉREZ: So, Darren, this is Alfredo Perez, before we get started, the -- you've provided us -- we have had the courtesy of you providing us several depositions with the exhibits that we have reviewed. Several of the exhibits have been marked "Confidential" and several of them have been marked "Highly Confidential," pursuant to the Protective Order that was ordered by the Court.
So I just want to make sure that everyone on the -- that is in the Zoom deposition -- and there are approximately 40 participants -- has either agreed to be bound by the terms of that and that there aren't -- there isn't anyone here who's otherwise not -- you know, that -- that the debtor is protected as a result of that deposition.
So I suspect that when you're going in -- when you're going into documents that were marked "Highly Confidential," you'll alert us so that we can check that again, but that is my only comment at this

which concepts are adopted in this agreement.
Q. Is it fair to say that this document --
A. I'm sorry, I would like to expand on one other party that we principally deal with from a business perspective, which is also their advisors at Parkman Whaling.
Q. Is it fair to say that this document, Exhibit Number 9, the Fieldwood I LLC agreement, is an embodiment of the governance rights that Apache bargained for in connection with that restructuring?
A. This document reflects the governance rights of Fieldwood I, which document was negotiated amongst the parties, which were ourselves and Apache and our respected advisors.
Q. Is it fair to say that this document embodies consent rights that Apache has with respect to the operation of Fieldwood I?
A. Yes.
Q. Is it fair to say that this document embodies information rights that Apache has with respect to Fieldwood I?
A. I don't recall the specific information rights that Apache has pursuant to this document, but if that is contained within the document, then I would agree.

Q. Turning to page 33 of Exhibit 9, looking at Section 706, is it fair to say that the intention of Fieldwood and Apache is that Fieldwood I will not be able to do any business other than operating or plugging and abandonment and decommissioning of Legacy properties and the GOM shelf properties without the prior consent of Apache?
A. In 706A --
MR. PÉREZ: I'm sorry, I had myself on mute. I am going to object to the form of the question: I think the document speaks for itself.
You're asking him, you know, for a legal interpretation. So to the extent that Mr. Dane can testify, you know, what the intent of the document is, but I think it is unfair to say -- look at 7.6 and say, is this what it means? And especially what it means as relates to Apache.
THE WITNESS: I think the document is very self-explanatory with respect to the actions requiring Apache consent.
Q. (BY MR. GRZYB) Give me one second.
Were any of Fieldwood's other creditors offered the right to fund the standby facility for Fieldwood I?
MR. PÉREZ: Object to the form of the

question: You're -- I think the assumption there is that Apache is a creditor.
But you can go ahead and answer if --
THE WITNESS: The Apache agreement was negotiated directly with Apache and it was conveyed to our lenders for their approval as part of an overall restructuring transaction, and ultimately the RSA and those parties were all aware of the provisions, including the standby facility, at the time that they all agreed to enter into the RSA.
(Exhibit 20 marked)
Q. (BY MR. GRZYB) I would ask, Mr. Dane, that you pull up Exhibit 20, which is Exhibit O to the Disclosure Statement identifiable as 1285-2, page 439 of 469, and that is the financial projections that are attached to the Plan of Reorganization.
Are you familiar with this document?
A. Yes.
Q. May I please have your understanding of what this document is.
A. This document was an exhibit to our Disclosure Statement. It is the financial projections exhibit which discusses the Fieldwood I, III -- excuse me, the Fieldwood I and NewCo entities, and it shows projections for each of those entities

over a five-year period.
Q. Are you personally involved in the creation of Exhibit 20?
A. Yes.
Q. What was your -- well, I'm going to call it Exhibit O, even though it is Exhibit 20 for purposes of this deposition.
What was your involvement in the creation of Exhibit O?
A. I was involved with the team that represented a broad cross-section of Fieldwood I employees in assembling the business plans and reviewing the various assumptions that formed the basis for the inputs for these projections.
Q. Are these -- the participants and the creation of Exhibit O, did that include your asset teams?
A. Yes.
Q. What about at the executive level, did any other executives, other than yourself, participate in the creation of Exhibit O?
A. Yes.
Q. Can you identify those executives?
A. Most of the executives with operational responsibilities were involved at some level in

helping to assemble the inputs for that plan and that would range from our operational executives, like Gary Mitchell; Steve Bodden; our VP of marketing, Jim Brysch; John Seeger, our senior vice president of operations; and a significant group of managers below those executives.

Q. Who at Fieldwood had the final say authorizing the publication of Exhibit O in connection with the Plan of Reorganization?

A. Our board of directors.

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence, but --

THE WITNESS: The company's board of directors.

Q. (BY MR. GRZYB) Are you personally expected to be the representative of the company with respect to Exhibit O?

A. Yes.

Q. Who at Fieldwood physically typed Exhibit O?

A. Our counsel and advisors, I believe, physically typed this exhibit as a part of their Disclosure Statement preparation activities.

Q. Is there anyone at Fieldwood with an engineering degree that has adopted the

representations made in Exhibit O?

MR. PÉREZ: Object to the form of the question: Vague.

MR. GRZYB: I will change the question.

Q. (BY MR. GRZYB) Is there anyone with an engineering degree at Fieldwood that has approved Exhibit O?

MR. PÉREZ: Same objection.

THE WITNESS: There is not a formal Fieldwood approval process for accredited employees, so I'm not sure how to answer your question.

Q. (BY MR. GRZYB) Let's please turn to page ten of the Fieldwood I projects -- I'm sorry, of Exhibit O, which is subtitled "Fieldwood I Projections".

The plan outlines a sales volume of 28,000 barrels of oil equivalent a day for the average of 2020. What is the company's current rate of production?

A. Is your question: What is the assets that would comprise Fieldwood I's current interaction?

Q. That's correct.

A. Obviously there is a lot of variability with respect to production, particularly on the

shelf, but generally, it has been in the low 20,000-barrel equivalent per day, over -- over recent weeks.

Q. Explain the distinction between the representation you just made of 20,000 barrels per day as compared to this projection on Exhibit O saying 28,000.

MR. PÉREZ: I'm going to object to the form of the question. There was no representation, he answered a question, so I object to the form of the question, I think it is misleading.

Q. (BY MR. GRZYB) I believe your testimony, Mr. Dane, was that over recent weeks of -- current level of production over the past recent weeks is 20,000 barrels per day, correct?

A. It was in the low 20,000-barrel equivalent per day range.

Q. But it is not 20,000, correct?

A. No, it is not, as of recent weeks.

Q. In the past year, has it been 28,000 at any point for any extended period?

A. I would have to go back and review our records and check this historic performance against these assets.

Q. Let me ask the question more directly.

What is the basis for the 28,000 barrels per day projection in Exhibit O?

A. So these projections represent a bottoms-up buildup of all the fields that are contemplated to be producing and the fields that are not contemplated to be producing that comprise the field with one asset base. Every field was evaluated by our asset teams and a determination was made if the field would be expected to be online. If it was not online, if it was expected to return to production or if it was not expected to return to production and the timing associated with each individual field, that was the basis for these projections.

Q. Is it, therefore, your testimony that it will require some work in order to get the production up to this 28,000 barrels per day?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: There is always variability with respect to daily production rates, and that has a host of factors that would -- especially over such a large asset base like Fieldwood I, but the basis for these projections is a detailed, bottoms-up analysis of all fields.

Q. (BY MR. GRZYB) Explain "bottoms-up analysis."
A. A "bottoms-up analysis" means that this aggregate number is the sum of assumptions related to every individual field that underlies that property set. Every field was reviewed and a determination was made for the appropriate assumption how to include the particular field, both at a production expense and any other relevant variable that would influence that particular field's contribution to these projections. These projections would represent the sum of all of those bottoms-up assumptions.
Q. Is there -- so is it -- is it true that you -- in order for Fieldwood to meet this projection amount of 20,000 barrels per day, certain currently offline wells need to be brought back online?
A. That is one factor that would relate to the variance that you're asking about.
Q. Does that 28,000 barrels per day include currently offline wells as an assumption?
A. In some cases --
MR. PÉREZ: That come back online? That come back online, is that the question?
Q. (BY MR. GRZYB) The question is: Does the 28,000 barrels per day include in the assumption that

currently offline wells are going to be brought back online?
A. Yes.
Q. Is there a list of those wells that need to be brought back online in order to increase production sufficiently to make these projections?
A. Yes.
Q. Do you know -- can you give me an estimate of those currently offline wells that need to be brought back on in order to -- can you give me an estimate of the number of wells that are being contemplated as being brought back online as part of the assumptions associated with these projections?
A. We don't track it on the basis of number of wells. The projections are generated pursuant to a model which was provided that specifies every individual field and its contribution.
Q. In your mind, is -- I will rephrase the question.
Look down under the same page, page ten, and go to the line item for capital expenditures. And it looks like for the period of May through December of 2021, this projection lists $29 million for capital expenditures.
Is it your projection that that amount of

capital expenditure will sufficiently bring production from the low 20s to the 28,000 barrels a day listed in the first line item?
A. The basis of these projections does not contemplate that this capital expenditure or variable alone is the basis for the difference between the current production rates that you asked about and the average daily production between May to December of 2021 that you're referencing, but there is a production contribution that is assumed as a result of the capital expenditures which is very clearly presented in the model.
Q. All right. So we have identified the bringing back certain shut-in wells back online as an assumption of -- that goes into this daily production level set forth in projections. We have identified CapEx expenditures that are going to bump up the production.
Is there any other assumption associated with this daily net production level set forth in Exhibit O?
A. Can you be more specific, any other assumption related to what?
Q. Well, you know what, I think I have phrased it incorrectly. And I used your word -- I

like your words better, "factors," right?
One factor that's going to increase daily production is bringing offline wells back online, correct? That is one thing we identified?
A. Correct.
Q. We also identified capital expenditures are going to increase daily production.
Looking at this projection in Exhibit O, what other factors will increase daily production from its current production level?
A. Those are the general categories that would contribute to any incremental production above current rates.
Q. So is your 28,000 barrels per day predicted production based on -- I will rephrase the question.
The increase in daily production from its current level to the 28,000 barrels per day listed in this projection is based on two assumptions: Bringing wells back online and capital expenditure of $29 million?
A. I wouldn't say that those are the assumptions that -- the basis for these numbers are the assumptions in the model about what fields are anticipated to be online and any incremental capital

contribution and the benefit of that production.
Q. Is it your prediction that if you spend $29 million over the period of May to December of 2021 and bring back the identified wells that the model says should be brought back online will increase production levels to 28,000 barrels per day?
A. If your question is does the model contemplate that certain fields need to contribute and be online and that the capital expenditures are required to general rate production and that forms the basis for the 28,000 barrels a day that's reflected between the May to December time period, I would agree, those are production contributing factors.
Q. What is the projected spend for plugging and abandonment on the Legacy/Apache properties?
A. Can you be more specific?
Q. For year 2021.
A. In these projections, Fieldwood I is projected to spend $70 million between the May to December 2021 period.
Q. Now, you say "in these projections."
Is that what the intent is for the projected spend on P and A for the Fieldwood I properties in the year 2021?

A. Projections as of a point in time with many assumptions. These assumptions included an emergent state of April 30th. There is going to be many factors that ultimately determine the total amount of capital that's going to be able to be spent and these projections, based on the assumptions that are outlined in this exhibit, show $70 million of spending that's outlined here.
Q. Where does the $70 million projection come from?
A. The properties that comprise the P and A spend in these projections represent properties that are either already scheduled for P and A or anticipated to be shut in during this period and scheduled for P and A., and these projections are based on the properties that are included in the model and the schedule that forms the basis for the P and A in these projections included in that model.
Q. Who identifies the P and A -- the properties --
MR. GRZYB: I can't hear you, Alfredo.
MR. PÉREZ: (Signals timeout).
MR. GRZYB: I see you, Alfredo, but I can't hear you.
THE WITNESS: I think he's saying he's

calling back in.
THE COURT REPORTER: I'm going off the record.
(Recess taken)
(The record was read as requested)
(Discussion off record)
Q. (BY MR. GRZYB) Who at Fieldwood gives the estimate of the 70 million for P and A?
A. The decommissioning department is responsible for generating those estimates.
Q. Who heads that department?
A. Our vice president of decommissioning, Brandon DeWolfe.
Q. Did he supply the decommissioning line items on this Exhibit O?
A. He supplied the assumptions that were incorporated into these projections with respect to decommissioning.
Q. Switching back to the capital expenditure portion of the -- with respect to this first column on 2021, how long is it going to take to perform the work to get shut-in wells back online in order to increase production for the Fieldwood I properties?
A. Activities that are performed in order to reestablish an asset on our asset base happen on an

ongoing, day-to-day basis. Our asset base was heavily impacted by the historic 2020 storm season that resulted in a significant amount of disruption and minor damage to a number of our facilities, which has resulted in fields being brought back online or determined to be shut in going forward.
The activities that are required in order to reestablish production are generally related to construction activity, which is a part of our ongoing repair and maintenance program, and based upon the timing of being able to complete those projects on specific fields, we are able to return production from those fields.
Q. Am I to understand there is two concepts: If a particular asset has been -- was damaged in a storm, and it needs -- or I will rephrase the question.
Two concepts: Does the line item for R and M relate to bringing assets back online that were damaged during the storm season?
A. That's one component of what repair and maintenance dollars are spent on, and it has been a significant part of our recent repair and maintenance expenditures which is related to the 2020 storm season repair activities.

Q. So with that R and M spend, will that result in any increased production on a daily basis?
A. Yes.
Q. Does any of the capital expenditure spend on this projection relate to bringing back online assets damaged in the storm -- storms?
A. The capital expenditures that are incorporated in these projections are generally related to recompletion capital projects, which is not typically associated with repairs to facilities as it relates to storm damage. However, the timing of the ability to make those capital expenditures related to specific fields is going to be influenced by repairs that may need to be made to those fields as a result of storm damage.
(Exhibit 21 marked)
Q. (BY MR. GRZYB) Mr. Dane, I'm going to ask you to please open -- it is probably in native format in your data room -- Exhibit Number 21.
Were you able to access it?
A. Yes, I have it open.
MR. PÉREZ: Is it an Excel spreadsheet.
MR. GRZYB: Yes, it is.
Do you have it open, Alfredo?
MR. PÉREZ: Oh, yeah, okay, it is

opening.
Q. (BY MR. GRZYB) Now, I believe -- do you have a general understanding of what this -- this document, this Exhibit 21 marked FWE-000016 is, Mr. Dane?
A. Yes, I have a general understanding of this document.
MR. PÉREZ: I'm glad he does, because I don't.
Q. (BY MR. GRZYB) And what is that document, Mr. Dane?
A. This document is the model that forms the basis of the Fieldwood I projections.
Q. Again, did you read my outline before doing this deposition?
Okay. Looking at the model, Fieldwood, I will call it Exhibit 21, I would like you to open the annual forecast tab, which is all the way to the right.
A. Okay, I have this open.
Q. Now, looking at -- if you look at the line item, it is line 64 and -- wait, let me ask a question.
Does this model relate exclusively to the Fieldwood I properties?

A. I believe that's correct.
Q. Now, I would like you to look at line item number 64 and in particular, F64. You see the plugging and abandonment numbers on this spreadsheet?
A. I'm sorry, can you -- is that F65?
Q. It would be F60 -- F64 is -- well, it is -- on the horizontal, it is row six.
A. And what tab are you in again? Is this "Annual Forecasts"? I'm sorry, what tab?
Q. Yeah, "Annual Forecast."
A. Let me go to the correct tab.
Q. I can share.
A. I see it. I will get to the tab in a second.
MR. PÉREZ: Is it -- okay. My line 64 says "Capitalized G and A." Is that not right?
MR. GRZYB: You're one below it.
THE WITNESS: Alfredo, it is a different tab. If you would continue to go to the right to the tab labeled "Annual Forecasts."
MR. GRZYB: Why don't I share.
MR. PÉREZ: I see it.
Q. (BY MR. GRZYB) All right. Line 64, for the period of April 2021 to presumably March of 2022, this model lists plugging and abandonment at

$203,225,000. How does that square with the Exhibit O projection of $70 million for the period of May 2021 through December of 2021?
A. So the numbers that are in this row --
Q. This row on which document?
A. That you've pointed me to.
Q. Exhibit 21?
A. Correct. I don't believe those numbers were utilized with respect to the Exhibit O document. There are specific P and A schedules that form the basis for the P and A spends, and I believe that that's identified in separate tabs that have been provided.
Q. I guess I'm not following your answer.
What does this number, 203,225 (sic), on F64 on Exhibit 21 reflect?
A. I don't know. I'm not -- I don't know what that reflects. I don't believe that that is the number that is used in the projection, as you can see.
Q. All right. So I think you said P and A schedules were consulted in creation of Exhibit O and the use of $70 million for P and A for the balance of this year. What is the -- can you identify the P and A schedules that you're talking about?

A. These were provided -- there is a -- there is a detailed schedule in this model that outlines the P and A spend, I believe it is one of the last tabs, and these figures I believe are consistent, but there may be reconciliation between certain cost items that are included in P and A versus other items.
Q. Is there a name of the tab about which you're referring to?
A. I think it is -- I believe it is the last tab that is labeled as "Apache -- APA-2021 Plus Schedule Annual."
Q. "*APA Plus Schedule and Annual."
Is there any way I can modify this tab and to see -- to give me any kind of information about how we -- how you arrived at 70 million for the line item on Exhibit O?
A. Yes. So the projections assume that any available cash flow that the Fieldwood I entity is capable of generating, subject to minimum working capital needs, is utilized in order to perform P and A; and in the period May to December of 2021, that figure is $70 million.
Q. Correct me if I'm oversimplifying, but did you just essentially say that the $70 million

comes from available funds associated with the production?
A. No.
Q. Plus the --
A. I said that the construct of Fieldwood I as an entity is that its primary business function is to conduct P and A to officially manage the Fieldwood I obligations and that after considering other required expenses and any capital expenditures in order to generate cash flow for P and A, any available cash flow, subject to minimum working capital requirements, is utilized to conduct P and A, and in this period, that amount that is available is $70 million.
Q. Has that projection been accepted by Apache?
MR. PÉREZ: Object to the form of the question: Vague.
THE WITNESS: Apache and their advisors are familiar with these projections and the construct that this exhibit in the Fieldwood I model represents, and they are aware of the level of P and A that's anticipated to be able to be conducted by Fieldwood I and the construct by which the cash is used by Fieldwood I to conduct that P and A.

Q. (BY MR. GRZYB) So I guess the question becomes: What is the annual forecast -- the number of -- the number in the annual forecast of $220 million, give or take, for 2021, where does that number come from?
A. The number that -- it is hard coded in this model. I would have to ask our subject matter experts to reconcile this, but the P and A forecast that is relevant is the tab where it outlines every individual field and it shows the annual spend in each period.
Q. Do you have any understanding of whether governmental entities would be satisfied with the $70 million spend for 2021 as referenced in Exhibit O?
A. Is this a hypothetical question? I don't understand the question.
Q. No. I assume that the $70 million, and I think what you have testified to is, it is based on some analysis by Fieldwood in connection with these properties. Is it your belief that this $70 million number, going back to Exhibit O, will be sufficient to satisfy governmental requirements with respect to the Fieldwood I assets?
MR. PÉREZ: Object to the form of the

question: Vague.
THE WITNESS: $70 million is the amount of capital that is available within Fieldwood I pursuant to these projections. The properties that are contemplated, being P and A under this model for 2021, are listed on the tab that shows $175 million to spend, according to what I'm looking at.
Q. (BY MR. GRZYB) Sir, I guess that's -- that's my question, which is: How do you bridge those two gaps, is there -- are there properties listed on the annual forecast that are not going to be decommissioned during the same timeframe?
MR. PÉREZ: Object to the form of the question -- I'm sorry. Yeah, I'm going to object to the form of the question, because it assumes, you know, facts not in evidence.
MR. GRZYB: And maybe I just didn't hear his answer correctly.
Michelle, may I please have his last answer.
THE COURT REPORTER: Certainly. One moment.
(The record was read as requested)
Q. (BY MR. GRZYB) One second. Excuse me.
All right. Turning back to Exhibit O,

can you please explain to me the line item and amendment for trust contributions.

A. Trust contributions are the required contributions for Trust A pursuant to the Trust A MPI and the Decommissioning Agreement.

Q. So is that an indication that Fieldwood is projecting an inability to meet decommissioning requirements based solely on Fieldwood?

A. No, no.

Q. So what is -- how is it that the projection includes a -- drawing upon trust contributions?

MR. PÉREZ: Just -- go ahead, Mike, I'm sorry.

THE WITNESS: That answer is mischaracterizing this -- these projections. That's --

Q. (BY MR. GRZYB) Explain to me how the trust contribution plays into this projection.

A. Pursuant to the Decommissioning Agreement and the Trust A net profits interest, the Trust A net profits interest is a 10 percent net profits interest on all the properties that were acquired from Apache in 2013. There is a Trust A1 MPI as well, and those net profits are based on the net profits of the

properties that are going to be related to Fieldwood I.

To the extent that those properties have a positive net profits interest, then that is required to be put into the trust, as it has been since the creation of those net profits interest at inception.

Q. So the current -- is this -- is this projection on Exhibit O an indication that based on this projection, there is no net result to the amount of cash in Trust A?

A. I don't understand your question. Excuse me, I'm sorry. The net result is the Trust A cash increases, because Fieldwood I is depositing $7 million in this first period into the trust.

Q. This projection includes net profits of $7 million; is that what you're saying?

A. This projection assumes that the MPIs associated with the Decommissioning Agreement generate $7 million of net profits interests, which are required to be placed into the trust.

Q. In your Exhibit O projection, is there any reliance or assumption that there will be a drawing on the decommissioning security relating to these projections?

A. In a number of periods, the anticipated P and A activity may exceed the available cash flow within Fieldwood I, and to the extent that that is the case and that work is required to be done, then it is assumed that other sources of capital that may be available for these purposes pursuant to those agreements would address that activity.

Q. Let's look at the period of May to December of 2021. Do any of these numbers reflect an assumption that Trust A cash will be utilized?

A. The activity that is contemplated for the 2021 period is higher than the total P and A activity that is contemplated for the 2021 period, exceeds the $70 million that's available through Fieldwood I and that contemplates that additional security could satisfy those obligations.

MR. PÉREZ: I'm sorry, I'm going to move to strike the question.

I think he asked you: Does Exhibit O contemplate any other resources? Does this projection include any other resources?

THE WITNESS: I apologize, I misunderstood the question.

Exhibit O does not assume any other resources.

Q. (BY MR. GRZYB) Well, from an operational perspective, does Fieldwood project being required to draw on Trust A cash for the balance of the year to perform its decommissioning obligations?

A. Fieldwood as --

MR. PÉREZ: Objection to the form of the question. Fieldwood I doesn't have an ability -- Fieldwood I doesn't have an ability to draw on Trust A cash. So, I mean, I think the premise of the question is just inappropriate.

THE WITNESS: Correct, Fieldwood does not have the ability to draw on the trust.

Q. (BY MR. PÉREZ) Is it -- is it projected that there will be insufficient funds generated from cash flow and the initial capitalization of Fieldwood I to meet its decommissioning obligations for the balance of the year?

A. No, it is -- Fieldwood I looks holistically at all sources of capital that are available to satisfy the obligations, and those sources of capital are sufficient to address all the obligations that are anticipated to -- that are anticipated to arise.

Q. The holistic approach that you just mentioned, does that include the Trust A cash?

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A. The Trust A cash is a source of capital that is available under the terms of the -- of that agreement to address P and A.
Q. Well, does Fieldwood project that Trust A cash will be drawn upon by someone during the next -- during the balance of the year?
MR. PÉREZ: I am going to object to the question.
Are you talking about in the projections in Exhibit O?
MR. GRZYB: Well, you know, I'm not sure what I'm talking about, because I don't know if it is --
MR. PÉREZ: Okay.
MR. GRZYB: -- if his goal is a reflection of reality or it is not.
Q. (BY MR. GRZYB) I guess my question is: In the real world, is Fieldwood projecting that Trust A cash will be drawn upon during the balance of the year?
A. So --
MR. PÉREZ: I want to object to the question. Fieldwood doesn't have the ability to draw on Trust A cash.
So to the extent you know what anybody

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else can do, you can go ahead and testify, but this is not Fieldwood I.
MR. GRZYB: But, Alfredo, he did testify that it is part of the holistic approach that Fieldwood considered when it looked at Fieldwood I.
MR. PÉREZ: Right. Yeah, and it's -- I said I'm not preventing him from testifying.
But go ahead.
THE WITNESS: In the real world, the Fieldwood I is going to utilize all of its available cash flow to conduct P and A activities. To the extent that that cash flow -- which is going to be dependent upon a number of variables: Production, pricing, the level of activity that is attainable in each period, whether to the extent that there is a need to spend money on decommissioning that is above the available resources in any given period of Fieldwood I, there is a number of other sources of security that are available to satisfy those liabilities.
Q. (BY MR. GRZYB) Name one other source of security.
A. The Decommissioning Agreement as it was originally contemplated, and is anticipated to continue, provides for the security that we addressed

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earlier, which is the Trust A cash, which is presently approximately $240 million, and the bonds and LCs, which comprise nearly $500 million.
Additionally, to the extent that the initial capitalization of Fieldwood I, which is going to be paid for through this restructuring as the difference between 50 million -- $50 million and any amount spent on P and A, that to the extent that initial capitalization and any cash flow from the operations of Fieldwood I and then any other security, as discussed, may be insufficient, the Fieldwood I entity has a $400 million standby facility, which is also available; and then obviously behind all of those sources is Apache, which is an extremely well-capitalized, multibillion-dollar company.
Q. So it is fair to say, then, that Exhibit O does not include all sources of capitalization associated with what it may require in order to meet the decommissioning obligations of the Fieldwood I assets?
MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence.
THE WITNESS: I think it is fair to say that it does not reflect all the various sources of

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capital that are available to meet those obligations.
Q. (BY MR. GRZYB) Does Fieldwood have any projections or analysis of sources of capital beyond what's set forth in Exhibit O that will be required in order to meet the decommissioning obligations associated with Fieldwood I?
A. The schedule of anticipated P and A is included in various schedule as part of this model and various other discovery requests that have been provided, and all of the funding mechanisms that I described are well described within our plan and Disclosure Statement, as well as the various documents that they are provided pursuant to.
Q. Can you walk me through -- if we go back to Exhibit 1 and find for me for the year 2021 what the -- without regard to source, what will be the decommissioned spend with respect to the Fieldwood I assets.
MR. PÉREZ: Object to the form of the question.
You're asking him to speculate as to what the actual expense is going to be.
Q. (BY MR. GRZYB) And that question was like three minutes long, so I will try and do a better job of it.

Can we go to Exhibit 21, please, together. And I think, Mr. Dane, we identified this as the Fieldwood I model, correct?
A. Yes, this is a -- that is a Fieldwood 1 model.
Q. Okay. Regardless of the source of fund, let's put that aside. Let's --
Is there a tab in this spreadsheet that has a projection with respect to the 2021 P and A spend for the Fieldwood I assets?
A. It doesn't mention it. Although I don't know that this is the -- the numbers look directly -- I'm looking at the tab that is the last tab that we reviewed. Although I'm not certain that this is the final version, because, as you've pointed out, this is not exactly the same as the financial projections exhibit, but the numbers look directionally correct to me in that -- in that tab.
Q. One second. I apologize.
All right. Mr. Dane, looking back at Exhibit 21, and we're at the *APA 2021 Plus Schedule Plus Annual, if I look at AH-7, and I have a number of 175,905 --
A. Correct.
Q. -- do you see that?

A. Yes, I do.
Q. Tell me what that number represents to you.
A. The anticipated spend for the full year 2021 based on these projects.
Q. The anticipated -- and is that -- are the projects about which you're speaking plugging and abandonment?
A. Correct.
Q. And the assets associated with that -- with that 175,905 number are the Fieldwood I assets, correct?
A. Yes.
Q. So if -- going back to Exhibit O, if Apache spent -- if both the P and A spend on Exhibit O for 70 and the projection on Exhibit 21, that 175,905 number, were accurate, meaning if Apache spent $70 million and it was required to spend 175,905, then it would have to acquire the 105,905 -- 105 million from some source other than cash flow, correct?
MR. PÉREZ: Object to the form of the question.
You know, you're asking what Apache is going to spend in Fieldwood I, I think it is just a

fundamentally unfair question; and I also think that you're mischaracterizing what he said that the 175 was. It was not that what was going to be spent, it is what -- the things that could be spent on. I think that's what his testimony was, but --
Q. (BY MR. GRZYB) Where does that 175,905 number come from?
A. That is the cost expectation of all of the projects that are scheduled with respect to each field for the full year 2021.
Q. Mr. DeWolfe and his team developed that number, correct?
A. Correct.
Q. Has anyone from Fieldwood discussed with Apache Exhibit 21?
A. I believe Apache has a copy of similar materials and these schedules have been shared with Apache.
Q. Has Apache commented upon Exhibit 21?
A. I don't know that Apache has commented specifically on Exhibit 21, but Apache is very familiar with the overall level of spending that we're discussing.
Q. Going back to Exhibit O, can you explain to me how Fieldwood arrived at the direct operating

number?
A. For the direct operating number, similar to the production figures, is a bottoms-up buildup of each field's anticipated contribution to the total operating expenses, and it reflects the status of each field and if it is expected to be producing and a level of OpEx commensurate with a producing field or if the field is anticipated to be shut in and a commensurate level of operating expenses for a shut-in field as well.
Q. Can you explain to me on Exhibit O the drawing of $45 million on the standby credit facility?
A. That is described in the Disclosure Statement and it is described as an initial funding in order to cure certain underspent amounts in prior periods related to required spend levels under the Decommissioning Agreement.
Q. So who is providing the $45 million?
A. The borrower. Excuse me, I apologize, the lender under that.
Q. And the lender would be?
A. Apache.
Q. But correct me if I'm wrong, I think you testified to an underspend by Fieldwood with respect

to the Decommissioning Agreement, correct?
A. Yes.
Q. So how does the lending of $45 million result in a cure with respect to that underspend?
A. In -- in prior periods, there was a requirement to spend $80 million annually, and in 2020, the total amount of spend was approximately $50 million below the required spend level. Depositing this money into the trust most of, which is provided through this initial standby facility draw, it remedies that required underspend.
Q. So is it correct for me to characterize that as: You're going to use that $45 million to make up the underspend from last year but then you'll have to pay that back to Apache?
A. No.
Q. How -- how is that inaccurate?
A. Can you -- can you restate your question? What will -- who will have to pay what back to Apache?
Q. Well, I assume that that loan -- those are loan funds that you'll have to ultimately -- sorry, Fieldwood I will have to pay back to Apache, correct?
A. Any balance under the standby facility

Fieldwood I will be responsible for repaying to a borrower -- excuse me, to a lender pursuant to the terms of that agreement.
Q. And is it the intent operationally, for Fieldwood to cure its underpayment for decommissioning by utilizing this initial funding of $45 million under the standby facility to make up the shortfall?
A. This is described in the Disclosure Statement and the initial draw is meant -- the initial draw is intended to cure underspent requirements from prior years.
Q. So from a practical perspective, is this P and A for 2021 70 plus 45?
A. No, the 45 is not spending on P and A. It is money that is being drawn under the facility to be deposited into the trust and the $70 million of spending is the spending associated with only the period May to December 2021 by Fieldwood I on P and A.
Q. Mr. Dane, please explain to me the line item for a change in net working capital.
A. A change in net working capital is intended to represent the effect of cash-related net working capital that will result from the

transactions that are contemplated under the plan and then going forward in ordinary course of the business.
MR. GRZYB: Michelle, may I have that read back, please.
THE COURT REPORTER: Yeah, one moment. Just the answer, right?
MR. GRZYB: Yes, please.
(The record was read as requested)
Q. (BY MR. GRZYB) How does the transactions contemplated in the plan result in a positive cash event of $36 million for that change in net working capital line item?
A. The agreement with Fieldwood I under our plan has a pre and post effective date concept, whereby there will be significant assumed obligations of the NewCo, which include all pre-effective date ordinary course payables; and then Fieldwood I would be responsible for any post-effective date charges or expenses and will receive the benefit of any post-effective date revenue; and as is typical in a pre and post-effective date transaction, that can result in a significant benefit to a party where you are receiving revenue on a much more current basis than the expenses that you are required to pay, which

typically will lag by several months.
Q. You're getting -- you're getting a holiday on your payables for a period of 60 days?
A. That's correct. And for -- for a period of whatever period of time it is that you would customarily receive invoices and then have payments due upon the receipt of those invoices. It may be a lot longer.
Q. It is more than a holiday, it is actually leave from that obligation?
A. I don't think it is relief from an obligation as much as a timing benefit of expenses, invoices being received and then due much later than revenue receipts, which come in on a monthly basis.
Q. The calculation for net working capital, is that based on historic payables?
A. Historic payables and receivables.
MR. GRZYB: Alfredo, do you want to take five and then -- I can't hear you. We will take five?
MR. PÉREZ: Okay, I got it. Can you hear me now?
MR. GRZYB: I can hear you. 4:10?
MR. PÉREZ: 4:10's good. Thanks.
THE COURT REPORTER: I'm off.

MR. PÉREZ: I am going to object: Asked and answered.

You can give him the same answer.

THE WITNESS: The company stakeholders are very cognizant about liabilities that the NewCo is going to have. The company that -- the plan contemplates them investing hundreds of millions of dollars of new capital into, and having a balanced mixed of assets and liabilities is very important for a successful business, and those are decisions that we make whenever we evaluate any type of liability and if it's something that is appropriate to incur or not when not required.

Q. (BY MR. BAINS) How does replacing a private bond lead to liability?

That's the disconnect I'm having with you. You keep saying, we're trying to avoid liabilities and not have a balance. I'm not understanding how those two relate.

A. You had very clearly stated several times indemnity agreements are features of all bonds. That is an expectation of the sureties based on what I thought I heard in your questioning. If those are provisions that are part of replacement bonds, that imposes liabilities on a company, and if that is

something that is not required, then that has to be assessed by the company and its stakeholders if it's appropriate.

Q. Okay. So you testified earlier that Fieldwood wants the bonds to stay in place and carry through, correct?

A. No.

Q. I thought you said earlier that the bonds are there, y'all aren't trying to do anything with them, they're going to stay there.

A. You -- your question said the company wants these things to happen. This -- that is what it is, the bond, when issued, is outstanding to the beneficiary. Our action or inaction does not change that fact.

Q. Well, Fieldwood Energy's the principal on that bond, and Fieldwood Energy is no longer going to exist, correct?

A. Fieldwood Energy is currently the principal on those bonds.

Q. And Fieldwood Energy is not going to exist after confirmation of that plan if it is confirmed, correct?

MR. PÉREZ: I think you're calling for a legal conclusion as to whether Fieldwood Energy is

going to exist after the plan.

THE WITNESS: I agree with Counsel on the future status of the entity itself as it relates to the plan given.

Q. (BY MR. BAINS) What is your understanding -- as the CFO of the company and the proposed CEO of the new company, do you believe Fieldwood Energy is still going to exist?

A. Fieldwood Energy, after this restructuring, is not going to exist in its current form.

Q. Okay. Agreed. Didn't think that was really that controversial, but okay.

So the bonds are there, but yet y'all don't want the indemnity to go with them.

Is that the basic thrust of all of this?

A. I don't understand your question, what your question is.

Q. You want the bonds to stay there in favor of these beneficiaries and pay out, but you don't want indemnity to carry through because it is a liability that the lender group doesn't want to carry?

A. I think you're mischaracterizing the issue in your question. It is not a matter of

desire. The bonds are outstanding. Fieldwood's action or inaction doesn't change that. The plan addresses the treatment of the indemnity agreements, but the wants or need of Fieldwood and its employees doesn't change the reality of the current status of the bonds that are outstanding.

Q. But the lender group desires not to have to indemnify any further?

MR. PÉREZ: Again, calling for speculation.

THE WITNESS: You asked me this question --

MR. PÉREZ: Indemnities are treated under the plan.

Q. (BY MR. BAINS) What was your answer, sir?

A. My answer is that I have answered that question at least four times.

Q. Well, we will let the transcript speak for itself on that. I'm going to jump to Exhibit 20 that you looked at earlier. Let me know when you have it up.

A. I have it up.

Q. Okay. Page six of that gives some projections for the NewCo entity. Let me know when you're there.

A. I'm there.
Q. Okay. It shows that the P and A projections for the next five years for the NewCo entity are right around $5 to six million.
Do you see that?
A. I do.
Q. And that is a pretty low number, isn't it, for P and A on a year-to-year basis?
A. The amount of P and A spending is dictated by the timing and amount of projects that are available to conduct P and A on. So it is a -- it is relative to -- is it low? "Low" is a relative term.
Q. Sure. And I'm saying it is low relative to the number of assets here and low relative to how much it costs to P and A wells of the type that Fieldwood would operate. For instance, do you agree with me to P and A a dry tree well on a platform is like a million and a half bucks?
A. No.
Q. Okay. What's the number?
A. It is not a one-size-fits-all number.
Q. How many wells could be decommissioned for $6 million?
A. That depends on a number of variables.

It depended on your working interesting in the well. If you have a low working interest, you can decommission a large number of gross wells. It depends on the complexity of the wells, it depends on many factors that relate to the particular characteristics of the actual well and your ownership in the well.
The -- I believe the spending is actually very significant relative to the liabilities of NewCo. This spending represents a very significant portion of the total shelf liabilities that NewCo will own.
Q. NewCo's also going to own some deepwater liabilities, correct?
A. Yes.
Q. So it is not just shelf. And deepwater generally is going to be more expensive on a P and A front?
A. The deepwater P and A liabilities are more expensive than shelf liabilities in general.
Q. I mean, for instance, you know, subsea wells and deepwater are in excess of ten million to decommission. Do you agree with that?
A. Generally speaking, they can be in excess of $10 million.

Q. And certainly platforms are far in excess of that?
A. Not necessarily.
Q. Why not?
A. Because it may not cost that much. Deepwater platforms are not fixed structures. Oftentimes the decommissioning of a deepwater platform itself is -- may not be that expensive, depending on the particular type of platform.
Q. So you believe that $6 million a year P and A is going to be sufficient to handle all the P and A obligations that might arise over the next five years for all these assets?
A. The NewCo is going to have almost no required near-term P and A obligations, because most of the assets that comprise NewCo are going to be significant producing assets with remaining reserve life and P and A that largely is not required in the near term.
Q. And is that because the debtors seek to abandon all the bad assets back to the predecessor?
MR. PÉREZ: Object to the form of the question. I don't think that the quality of the assets having anything to do with what's being abandoned. Object to the form of the question, I

think it is a statement. Frankly, it is not even a question. Why don't you ask a question.
Q. (BY MR. BAINS) You can answer, sir.
A. The P and A spend that is anticipated for NewCo is a function of the opportunities that are available to P and A and the timing at which those opportunities are required. And this is actually a very significant amount of spend relative to the obligations that it will have for P and A in each of these periods as we understand the asset base to that.
Q. Right. And then my question was: Is that because there are no assets in here where P and A would otherwise be immediately required because any of those assets have been abandoned back to the predecessors?
A. I don't think --
MR. PÉREZ: Same objection.
Go ahead.
THE WITNESS: I think that mischaracterizes the plan.
Q. (BY MR. BAINS) In what way?
A. The NewCo is assuming significant liabilities. Those liabilities aren't as near term in general. The NewCo has significant P and A

qualified operator as of the plan effective date?
A. The government understands the plan and the various entities that are contemplated, and we are working very closely with the government on an ongoing basis to try and facilitate all the elements of the plan that are required.
Q. A quick question going to the financial projections for Fieldwood I, and to just kind of clarify the earlier testimony about what work is planned going forward for the capital spend, the capital spend budget in Exhibit O to the Disclosure Statement contemplates only well recompletions; is that correct?
A. Yes.
Q. Okay. And those well recompletions are based on sort of a general budget for recompletions and not tied to -- there is no specific list of recompletions that are planned; is that correct?
A. With respect to the projections, the basis for the spending on capital related to Fieldwood I and the production contributions was a type curve type of methodology, which was based on our historic results and opportunities that related to those assets. We do have actual lists of opportunities, but that's not the basis for what

those projections are.
Q. So that -- that type --
(Echoing and possible television noise in background)
THE COURT REPORTER: Sorry, guys, somebody's not on mute.
MR. KNAPP: I thought my kid's Mario car game in the other room would be the problem.
Q. (BY MR. KNAPP) So going to that type curve analysis, so what you did, if you could explain in more detail, you know, how does that work?
Does that take past recompletion results and project it on, you know, what you might expect going forward based on your past recompletion programs?
A. That's correct. It is very -- when thinking about the different methodologies to be able to incorporate a defensible capital con -- capital program of recompletion-related projects and the associated production, what we thought was most appropriate was to look at our historic budgeting process and how we have -- and the average performance based on a program of recompletions. Because the timing of an individual recompletion is very specific to the actual wellbore.

And we got so many projects and wells and the challenges of forecasting these particular types of capital projects on an individual basis over an extended forecast period, such as five years, it was, after discussion, determined that the most appropriate way to try and represent what a recompletion program would be capable of delivering would be to use the methodology that we have used, which is consistent with our past budgeting practices.
Q. That makes sense.
MR. KNAPP: I will pass the same to Robert Miller.
MR. MILLER: Thank you, Mr. Knapp. You covered a lot of the ground I was going to cover.
EXAMINATION
Q. (BY MR. MILLER) Good evening, Mr. Dane. I appreciate all the time that you have spent with us.
Earlier this week, revised versions of the proposed Fieldwood I LLC agreement were filed in the bankruptcy case, correct?
A. Yes.
Q. You're generally familiar with those newest versions and the changes in those, correct?

A. I am somewhat familiar with those changes.
Q. Would it be helpful if I put the exhibit file either in the chat or screen shared it with you?
A. Yes, please.
MR. MILLER: Mr. Perez, with your permission, may I do that?
MR. PÉREZ: That's fine. Great.
MR. MILLER: Okay. We will call this Exhibit 27.
(Exhibit 27 marked)
MR. MILLER: So I just put it in the chat so everyone should be able to pull it.
Q. (BY MR. MILLER) And I can --
A. I have access to it.
Q. You have access to it, Mr. Dane?
A. Yes, I do.
Q. Okay. Great, thank you.
All right. So this is a Docket Entry Number 1365, which was filed on the 11th of May. I call this the "Revised Cumulative Redline." Those are two redlines that were filed.
I'm going to -- if you wouldn't mind following with me to, let's see here, page number 18 in the document --

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Q. Do you have any personal knowledge regarding the use of the Ryder Scott report by your expert?
A. None other than what is represented in the expert report.
Q. Okay. Let's talk a little bit more about decommissioning projections and costs from NewCo.
Do you have any knowledge with regard to the decommissioning costs that were referred to on the first day filing declarations?
A. I would have to understand more specifically what you're asking about.
Q. Okay. How many P and A projects has Fieldwood undertaken in the last five years?
A. I don't know if I can speak specifically to that timeframe, but since Fieldwood -- since inception in 2013, the company has extended over I believe it is a billion and a half dollars, decommissioning well over a thousand wells, I believe 1,200 wells, over 400 platforms and structures and several hundred pipelines.
Q. Has it been your experience that you routinely can do that for less than what BSEE estimates costs to be?
A. So decommissioning processes are very

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project-specific and in many cases we have decommissioned for far below BSEE estimates. BSEE estimates comprise a number of different numbers. There used to be a single number. Now there are estimates that comprise P-50, P-90 deterministic estimates. And it's -- it's challenging to paint all projects with one brush.
Q. So, generally speaking, is it your opinion that BSEE -- that because it is a -- well, strike that.
Do you have a general opinion of BSEE estimates, good, bad or otherwise?
A. I think the BSEE estimates are in some cases not comparable to the actual properties, in some cases they can be a fair representation; and it is -- it is challenging as a whole across a very large asset base, like Fieldwood's, to look at numbers other than analysis that has been performed specifics to the assets themselves.
Q. When you're engaging in the P and A operation, do you report back to BSEE what your actual expenditures were in that part of the process that you engage in with them?
A. I believe that within the last couple of years, there are required regulatory costs

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reporting -- reports.
Q. And has it been your experience the last couple of years as you have engaged in that process as an operator the BSEE costs have become more reliable, or do you have any opinion in that regard?
A. The same answer as before, the -- the reliability is property-specific and it is -- I don't think it is -- I don't think it -- I don't think that the estimates, unless -- I don't think the estimates, broadly speaking, to the nature -- versus the nature of the assets that Fieldwood currently owns are the most representative tool by any means.
Q. What percentage of plugging and abandoning costs included in the Disclosure Statement projections relate to shelf assets, if you know?
A. What specific number are you referring to in the Disclosure Statement, of the total decommissioning?
Q. Right. I mean, is it 10 percent, 20 percent? Do you have a general opinion?
A. I would estimate that the shelf properties P and A reflects approximately 75 percent of the overall obligations, possibly maybe -- maybe a bit more than that, maybe 80 percent, 85 percent. 75 to 85 percent, I would guess.

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Q. And do you have any opinion of the costs associated with decommissioning of State of Texas-leased property?
A. Yes.
Q. And generally what's the budget range that you use as a rule of thumb?
A. Costs are not a function of the State or geographic location that the asset resides in. It is most -- it is mainly related to the nature of the projects as opposed to the geographic location.
Q. And I will tell you the reason I'm asking is that BSEE doesn't provide estimates for State leases, so I was curious as to what -- in terms of your experience, what would you use as a rule of thumb estimate for a State lease?
A. The same answer I just gave you, it depends on --
Q. Do you have a dollar amount?
A. You didn't ask me a question that I can answer.
Q. Okay. Well, I will try, then.
Do you have a dollar amount that you generally budget for a State of Texas lease?
A. No.
Q. Looking back to your first bankruptcy

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filing, do you know if you or anyone with the company has ever analyzed the reasonableness of the management team's projections -- and what I'm referring to there is the Exhibit O to the Disclosure Statement -- by preparing the projections included in the 2018 Disclosure Statement dated February 15th, 2018 and comparing those to the 2018 or 2019 historical operating results of the company?

A. Yes.

Q. And did you reach any conclusions in that regard?

A. Yes.

Q. And can you share those with me?

A. Actual results were different for a variety of factors.

Q. Can you explain what those factors were?

A. The price environment obviously deteriorated very substantially over the past year and a half versus the price environment back in 2018. Initially in the first period, the projections were not too materially different. The profitability was mostly lower, the capital spending was substantially lower, and the free cash flow was probably higher.

In subsequent years, '19, the production estimates were meaningfully below the projections due

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to the delayed capital spending from 2018, which resulted in substantially higher free cash flow in 2018; the capital spending in 2019 was substantially above the projections; and 2020, the business obviously was substantially below the projections due to -- largely due to the changes in the business environment that impacted the business in 2020, starting with the Covid-induced price changes, then due to the nature of the restructuring event that we undertook, the changing of the shelf asset base in the storm season. Those were -- those were the observations that I had.

Q. Any others?

A. The question was: Observations of changes versus actual versus projected performance? Those are my main observations.

Q. Okay. Have you understood the questions that I have asked this afternoon -- or this evening?

A. Not all of them.

Q. You answered them to the best of your ability?

A. I believe so.

Q. Have you answered truthfully and honestly?

A. Yes.

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Q. And have I treated you with courtesy during today's deposition?

A. Yes, you have.

MR. DUEWALL: All right. I pass the witness.

THE WITNESS: Thank you.

MR. PÉREZ: All right. I guess we can go have dinner. We will reserve our questions to the hearing, time of trial.

(Proceedings concluded at 6:43 p.m.)

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CHANGES AND SIGNATURE

PAGE LINE CHANGE REASON

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I declare under penalty of perjury that the foregoing is true and correct.

____
MR. MICHAEL T. DANE

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, by the witness, MR. MICHAEL T. DANE, on this the _____ day of ______________________, 2021.

____
NOTARY PUBLIC IN AND FOR
THE STATE OF ________________

My Commission Expires: __________

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STATE OF TEXAS
COUNTY OF HARRIS

REPORTER'S CERTIFICATE
ORAL DEPOSITION OF
MR. MICHAEL T. DANE
May 13, 2021

I, Michelle Hartman, the undersigned Certified Shorthand Reporter in and for the State of Texas and Registered Professional Reporter, certify that the facts stated in the foregoing pages are true and correct.

I further certify that I am neither attorney or counsel for, related to, nor employed by any parties to the action in which this testimony is taken and, further, that I am not a relative or employee of any counsel employed by the parties hereto or financially interested in the action.

That the deposition transcript was duly submitted on __________________ to the witness or to the attorney for the witness for examination, signature, and returned to me by ___________________.

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SUBSCRIBED AND SWORN TO under my hand and seal of office on this _______ day of May, 2021.

Michelle Hartman
____
Michelle Hartman, CSR, RPR
Texas CSR 7093
Expiration: 12/31/21